THE HONORABLE MARC L. BARRECA
Hearing Date: June 1, 2012
Hearing Time: 9:30 a.m.
Response Date: May 25, 2012
Hearing Location: Seattle
Chapter 7

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re ADAM R. GROSSMAN, Debtor.	Case No. 10-19817 DECLARATION OF ADAM R. GROSSMAN IN SUPPORT OF OBJECTION TO MOTION TO APPROVE SETTLEMENT OF ISSUES RELATING TO REAL PROPERTY LOCATED AT 868 MONTCREST DRIVE, REDDING CALIFORNIA 96003

I am the Debtor herein. I was a Managing Member of Terrington Davies LLC, the general partner of the Tanager Fund LP where I served as Director of Trading and Strategy.

MONTCREST PROPERTY

On March 4, 2010, acting on behalf of the Tanager Fund LP and in my capacity as a Managing Member of the general partner, I caused a wire transfer to be executed transferring money directly from a partnership account at Charles Schwab & Co. Acct #xxxx-4376 to Placer Title Company to purchase the real property located at 868 Montcrest Drive. This money came directly from the partnership account and did not pass through the general partners' account as was usually the case for client redemptions. Pursuant to the purchase and

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sales agreement which, standard in California, usually contains a clause allowing buyers to vest title as they instruct, I instructed Placer Title Company that I wished to vest title held in trust (trustee, as trustee of the trust) having the beneficial interest be the Ptarmigan Fund LLC which is primarily a subsidiary of the Tanager Fund LP. As instructed by the Fund's California attorney, Terrence Mayo of Mayo and Mayo in San Francisco, the trust documents which were authored by him (modified slightly and I believe immaterially by me because he was on vacation that week) created a trust with me as trustee and beneficiary and having successor beneficiary and trustee as the Ptarmigan Fund LLC and the Fund's advisor becoming automatically activated upon my personal resignation as initial trustee and disavowal of beneficial interest, which I did and is clearly shown in the escrow documents I have since retrieved from the title company.

The escrow instructions indicate that title was to be taken this way: vesting into trust (trustee, as trustee of the trust). The Tanager Fund’s preliminary financial statements for 2010, which were only recently authorized by the court to be produced, reflect this and I am sure the finalized statements will also. The securities are filed with the SEC and subject to (certain) SEC regulations including the requirement that the financial statements be CPA-approved and GAAP-compliant (generally accepted accounting principals). The title company, while in escrow, told me that a person – not a company, trust or business unit – was required to be on title despite the escrow instructions permitted by the purchase and sales agreement. They did, however, say it could be for one day which is when I learned of this “double deeding” process. I first asked them if they could simply follow the escrow instructions pursuant to the purchase and sales agreement. Then, I asked if the "double deeding" could done while in escrow. (It

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could.)

I requested that a person at the title company be on deed for one day but they were not willing to do this. I made inquiries. The Fund's attorney, Terrence Mayo, was on vacation that week in Mexico and could not be reached.

I then accepted the title company's request for me to be on title for one day only under the conditions that the original escrow instructions were not changed and that the deeds recorded on sequential days (March 8, March 9) were to be done within escrow so that the escrow instructions as submitted were consistent with how the title emerged from escrow.

Ms. Borodin has represented to the courts directly or through her attorneys that she and I, while still married, were entitled to community property partnership distributions from the Tanager Fund LP in excess of $500,000 between January 1, 2010 and May 20, 1010. According to the representations Ms. Borodin has made directly or through her attorneys, this $500,000 of community property money was used to purchase the real property at 868 Montcrest Drive and the real property at 20710 Glenview Drive located, respectively, in Shasta and Tehama counties, in California, plus funds remaining for expenses. This representation is completely false. We began January 1, 2010, holding at most 170,637 capital units ($225,399 as of January 1, 2010) in aggregate in all of the Tanager Fund LP and Ptarmigan Fund LLC accounts which could possibly be considered either owned by us individually, communally, directly, indirectly, wholly or in part, excluding modest funds for the children held in trust.

Total cash distributions in excess of $500,000 would indicate an average redemption price of over $2.93/unit during 2010 which started with a unit price of $1.32/unit, averaged $1.26/unit, and closed at $1.25/unit, never having a price anywhere near $2.93/unit.

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We did not contribute any capital to either fund during the year 2010, individually, communally, directly, indirectly, wholly or in part. Tanager Fund LP's bank statements, in fact, show no partner contributed any capital to the Fund during 2010 as we had suggested and then announced that the Fund would likely cease active trading operations at the end of the year.

All limited partners remain limited partners until December 31, 2016, or until the partnership has completed winding up and produced a final accounting. This has not yet been done. At that point, all partners' accounts will be trued up and profits, if any, distributed pro rata among partners. Distributions prior to the dissolution and closing of the partnership, which are permitted under the partnership agreement and pursuant to 6 Del C. § 17-601, are "Interim Distributions" and represent a limited partner being "entitled to receive from a limited partnership distributions before... the dissolution and winding up thereof" but only as "specified in the partnership agreement" which did not and does not allow partners under any circumstances to redeem more units than they have available.

To do so would be an excess distribution required to be reimbursed as the distribution exceeded the partner's entitlement. This is not only common sense but is partnership law: "Limitations on Distribution" (§ 17-607(a)) prohibits a partnership from making an excess distribution that would render the partnership insolvent. More than $500,000 in distributions to us as community property would have made the fund insolvent because an excess distribution to one partner would necessarily cause a shortage of funds available when making distributions according to the entitlement rights of the other partners.

In addition, limited partners have no right to demand and receive any distribution from a limited partnership in any form other than cash (§ 17-605).

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The Fund statements clearly show $229,000 wired out on March 4, 2010, to Placer Title Company which was used to purchase 868 Montcrest Drive and $255,000 (in the amounts $120,000 and $135,000) wired out on May 20, 2010, to Placer Title Company to purchase 20710 Glennview Drive. Our community property capital accounts never exceeded the 170,637 capital units that existed on January 1, 2010.

Our community property capital accounts never exceeded the 170,637 capital units that existed on January 1, 2010. We made no deposits during the entire year and the partnership only received two deposits for the entire year. In case someone thought we received community property gifts, the sources of these deposits have been fully verified not to have been gifts to the community and have provided sworn statements to this effect.

After having received only recently permission by the court to issue financial statements for 2010, I have learned the term "litigation accounting" which means CPAs using GAAP-compliant accounting who anticipate litigation to occur and select, whenever GAAP allows an election for methodology, the election based on only one criteria: which election will be the strongest defense during anticipated future litigation for the dual reasons of (1) to avert litigation through the presentation of litigation-proof financial statements, and (2) to prevail during litigation so that business may proceed.

The purpose of "litigation accounting" is to ensure the financial statements are accurate, compliant, legal, and are unlikely to be challenged because a challenge is unlikely to prevail. The reason why it is needed is that money flows into and out of a partnership account, were not labeled:[1] on a monthly statement, every transfer looks the same: like money. The state court

[1] This is typical. In the United States, approximately 1/2 of mutual funds and hedge funds have "sub-accounts"

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and the bankruptcy trustee have directly and indirectly already rejected my initial accounting which did not include excess distributions of community property money which uses "self-generated" ledgers to track partnership money that is not labeled when contributed or disbursed and all looks the same: like money.

In this case, the overriding factor to consider for litigation accounting is to anticipate that the financial statements will be challenged by someone like Karma Zaike who is extremely intelligent but unable to tell the truth. For the Tanager Fund LP, since Jill and I started 2010 with 170,637 capital units ($225,399), we could only have purchased one house not two. The litigation accountants apparently find the representations that are the most specific, best documented, and most likely to prevail in court and, of these, what is the simplest and smallest set required to balance the books without dispute and beyond reproach.

For the Tanager Fund LP in 2010, there are two statements required:

Stipulation #1: no Private Lender Money was used to purchase Glennview.
Stipulation #2: Adam conserved all available community property units in 2010 to buy Glennview.

These two statements, or the equivalent or derivations therefrom, were represented to the courts. From the perspective of litigation defense, they are very strong candidates because they cannot be denied by Ms. Zaike nor by the people from whom she elicited testimony or nearly did so only enough to mislead the court through documents and testimony that were suggestive if not literally false. The trial court, based upon representations made to it, specifically ruled that the money on the wire that was sent from the Tanager Fund (through the general partner) to Placer Title Company was community property money. This was $255,000

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wherein the financial institution tracks percentage ownership for each member or partner in the fund, and approximately 1/2 of mutual funds and hedge funds do not have "sub-accounts" and the manager of the fund must track customer accounts for themselves. There is little correlation to fund size.

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wired on May 20, 2010, and would have required the redemption of 265,808 community property capital units. We only had, at most, 170,637 capital units[2] and the only way to have redeemed 265,808 units would have been if 95,171 units belonged to someone else, including treasury units which are units issued and owned by the partnership having no economic purpose except for the ability to sell them quickly to raise money if needed. Thus, Glennview was then owned 64.2% by the community and 35.8% by the partnership. This accounting cannot be disputed because it was already represented by Ms. Zaike to the courts that the redemption of community property units and not private lender money was used to purchase Glennview Drive and therefore no private lender money was used and I, two months ago, signed an agreement that I would stipulate to these facts as I then disclosed to the court.

To account for Montcrest Drive, since the underlying agreed up assumption is that all available community property units in 2010 up to 265,808 were used to buy Glennview Drive and since we did not even own this many units ever, we did not have any community property capital units to redeem to purchase Montcrest Drive. The 142,167 capital units needed to be redeemed could only have belonged to someone else, including treasury units. Thus, Montcrest Drive has no community property interest at all (0%) nor any separate property interest (0%) as there were no separate property accounts for us at the Tanager Fund. This accounting cannot be disputed because it was already represented by Ms. Zaike to the courts that the redemption of community property units and not private lender money was used to purchase Montcrest Drive and I, two months ago, signed an agreement that I would stipulate to these facts as I then disclosed to the court.

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[2] This demonstrated that the Superior Court's ruling was erroneous.

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Finally, when the CPAs certify the financial statements for 2010 and issue K-1's for investors who have thus far remained patient, there will be official, CPA-approved, GAAP-compliant, and SEC-required financial statements and tax returns which are the governing documents used to resolve any disputes between private parties. They may be challenged but from my limited knowledge of accounting, I do not believe any challenge will prevail because the transactions as reported are balanced and accurate.

This settles this and we move on.

I do not understand how a motion such as the one currently under consideration can be seriously considered by anyone if the purported agreement is made between two parties who do not own the subject property and they have no authenticating documentation to support either side of a dubious "dispute". To settle a fictitious "dispute" that misappropriates other people's property and divides the value of it seemingly somewhat evenly between the parties without the permission of the owners does not make sense to me.

The misclassification of partnership distributions by court proceedings, in which neither the funds nor any other investors were party to the action, has caused an erroneous ruling of the Superior Court to involuntarily convert $1/4m of other people's money into community property, which was then purportedly divided between us as a marital property settlement. I immediately petitioned the court to reconsider this ruling and return customer property to its rightful owners using the correct ownership classifications. This petition was not supported by Ms. Borodin. It was denied by the court.

As a result, $1/4m still remains misclassified and misappropriated among the assets of Ms. Borodin and the bankruptcy estate, however allocated.

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STATE COURT APPEAL

The appeal of the erroneous state court dissolution decree which misclassified $1/4m of client funds and labeled them community property — over my strong protest — is set to be decided around June 5, 2012. I view the present motion to approve a settlement as merely an attempt to circumvent my appeal by having the bankruptcy court rule on the propriety of my dissolution. I respectfully request that the court not do so, primarily for the reasons stated in my response, but also because it is not appropriate for the bankruptcy court to piecemeal approve the results of the dissolution decree without considering the entire award of property.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct to the best of my knowledge.

Dated this 25th day of May, 2012.

__*/s/ Adam Grossman*______
Adam R. Grossman

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